

Budget Change Proposal - Cover Sheet

DF-46 (REV 08/15)

Fiscal Year 16/17	Business Unit 3760	Department State Coastal Conservancy	Priority No. 1
Budget Request Name 3760-300-BCP-DP-2016-A1		Program 2805032 – Conservancy Programs	Subprogram N/A

Budget Request Description

Appropriation of \$12,393,000 in funding from Section 79731 (j) the *Water Quality, Supply, and Infrastructure Improvement Act of 2014* (Proposition 1) to the State Coastal Conservancy for the purposes of local assistance and capital outlay and program delivery.

Budget Request Summary

Appropriation of \$12,393,000 in funding from Section 79731 (j) of the *Water Quality, Supply, and Infrastructure Improvement Act of 2014* (Proposition 1) to the State Coastal Conservancy for the purposes of local assistance and capital outlay and program delivery as follows:

Local Assistance and Capital Outlay: \$ 11,893,000
 Program Delivery: \$ 500,000

The amounts shown above represent an incremental increase to the amounts proposed for appropriation to the State Coastal Conservancy in the Governor's Budget. The funds would be used for purposes of protecting rivers, lakes, streams, coastal waters, and watersheds in the coastal and San Francisco Bay Area regions.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance. <input type="checkbox"/> FSR <input type="checkbox"/> SPR Project No. Date:		

If proposal affects another department, does other department concur with proposal? ☐ Yes ☐ No
 Attach comments of affected department, signed and dated by the department director or designee.

Prepared By <i>Paul J. Williams</i>	Date 3/25/2016	Reviewed By <i>Rayne Serrano</i>	Date 3-25-16
Department Director <i>Man SCL</i>	Date 3/25/16	Agency Secretary Original Signed By <i>Rayne Serrano</i>	Date

Department of Finance Use Only

Additional Review: ☐ Capital Outlay ☐ ITCU ☐ FSCU ☐ OSAE ☐ CALSTARS ☐ Dept. of Technology

BCP Type: ☐ Policy ☐ Workload Budget per Government Code 13308.05

PPBA Original Signed by Amanda Martin	Date submitted to the Legislature 4-1-16
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Analysis of Problem

A. Budget Request Summary

Appropriation of \$12,393,000 in funding from the *Water Quality, Supply, and Infrastructure Improvement Act of 2014* (Proposition 1) to the State Coastal Conservancy (SCC) for the purposes of local assistance and capital outlay and state operations as follows:

Local Assistance and Capital Outlay: \$ 11,893,000
State Operations: \$ 500,000

The amounts shown above represent an incremental increase to the amounts proposed for appropriation to the SCC in the Governor's Budget. The SCC is requesting additional appropriations from Proposition 1 in the budget year in order to meet the high demand for project grants using these funds and to provide necessary program delivery funds to meet the increased Proposition 1 workload. The requested appropriation would be from funds specifically allocated to the SCC by the bond act pursuant to California Water Code Section 79731(j) for purposes of protecting rivers, lakes, streams, coastal waters, and watersheds. The funds appropriated for local assistance and capital outlay are requested to be available for encumbrance until June 30, 2019.

The SCC is requesting a three year encumbrance period for the local assistance funding in order to allow sufficient time to initiate and complete the projects to be implemented using the Proposition 1 funds. Because the Proposition 1 funds must be awarded through a competitive grant process, time is needed for the Conservancy to issue grant solicitations and to review grant applications before any funds can be awarded. Carrying out the grant solicitation and review process necessarily means that there will be a significant time period between when the requested funds are appropriated in the Fiscal Year 2016/17 budget and when the funds are actually encumbered in grant agreements. The SCC plans to issue four grant solicitations in Fiscal Year 2016/17. Therefore not all of the Proposition 1 funds will be awarded in response to the first grant solicitation to be issued in the early part of the fiscal year but will instead be awarded in response to grant solicitations issued in the middle and latter part of the fiscal year. In addition, based on the types of project proposals awarded Proposition 1 grants by the SCC in response to previous grant solicitations, many of the projects funded in the future using the requested Proposition 1 funds are likely to be large and complex multi-benefit projects that will take several years to complete. The time needed to complete such projects requires the encumbered funds to remain available for expenditure for the extended time period requested.

Funds for program delivery would be appropriated to the SCC's support budget and would be used for state operations to administer Proposition 1 programs. The requested appropriation for state operations will fund SCC staff and associated costs for planning, administration and establishing monitoring of Proposition 1 funded projects. No staffing changes are requested; projects will be carried out using existing staff levels.

B. Background/History

The SCC previously submitted a Budget Change Proposal requesting appropriations from Proposition 1 in Fiscal Year 2016/17 in the amount of \$20,500,000. This request was based on the SCC's estimates of the amounts needed to fund its Proposition 1 grant program and represented an increase of \$5,500,000 over the amount appropriated to the SCC from Proposition 1 in Fiscal Year 2015/16.

Since this request was submitted in August, 2015, the SCC has completed the first two Proposition 1 Proposal Solicitations. In response to these first two solicitations the SCC received a total of 89 grant applications requesting a total of \$71,500,000 in grant funding. This amount far exceeds the amounts currently appropriated to the SCC from Proposition 1 in Fiscal Year 2015/16 and the amounts currently proposed in the Fiscal Year 2016/17 budget. A third proposal solicitation was issued in February 2016 with proposals due on March 31. A fourth Proposition 1 proposal solicitation will be issued in May 2016 with proposals due on June 30.

In response to the demonstrated demand for Proposition 1 grant funds, the SCC is requesting an increase to both the local assistance and state operations Proposition 1 appropriations currently included in the Governor's Budget for Fiscal Year 2016/17. This request is being made to meet the

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need for project funds expressed by the SCC's partners and to accommodate the shift in SCC staff workload towards the planning, monitoring and administration of projects funded from Proposition 1.

Proposition 1

Proposition 1, was approved by the voters in the November 4, 2014 California statewide general election. The act added Division 26.7 (commencing with Section 79700) to the California Water Code and authorizes the issuance of \$7,545,000,000 in general obligation bonds for appropriation by the legislature to fund authorized projects which provide "...reliable water supply, restoration of species and habitat, and sustainable infrastructure." Division 26.7 consists of twelve chapters. Chapter 6 (Protecting Rivers, Lakes, Streams, Coastal Waters, and Watersheds) expressly allocates \$100,500,000 to the SCC in Section 79731(j) for "...competitive grants for multi-benefit ecosystem and watershed protection and restoration projects in accordance with statewide priorities." The SCC has already received an appropriation of \$15,000,000 from Proposition 1 for Fiscal Year 2015/16 from this allocation.

Consistent with Section 79706 of the bond act, the SCC has developed and adopted project solicitation and evaluation guidelines which will be used to solicit and evaluate grant requests considered for awards using the requested appropriation. The SCC's guidelines incorporate the statutory requirements of the Proposition 1 bond act as well as those of the SCC's controlling legislation, Division 21 of the Public Resources Code. The SCC's project solicitation and evaluation guidelines were reviewed by the Secretary for Natural Resources, who has verified that they are consistent with applicable statutes and the purposes contained in the Proposition 1 bond act. The project guidelines were adopted by the SCC's Board at a public meeting after two public meetings to solicit input from members of the public held in northern, central and southern California.

C. State Level Considerations

The funds proposed for appropriation in this request would be expended pursuant to the purposes of Proposition 1 and consistent with the SCC's enabling legislation (Division 21 of the Public Resources Code), the SCC's 2013 Strategic Plan and 2015 Strategic Plan Update, and several state policies and plans, including: the California Environmental Goals and Policy Report, the California Water Action Plan, and the Safeguarding California Plan. The SCC implements recommendations and objectives in many of these statewide plans by supporting specific projects that achieve the larger state objectives.

D. Justification

The SCC is requesting an incremental increase to the amounts currently proposed to the SCC for state operations and local assistance in the Governor's Budget and the Budget Act of 2016. This request is being made in order to meet the demonstrated demand for the Proposition 1 funds and to reflect the increased level of staff resources needed to plan, monitor and administer the SCC's Proposition 1 programs. Funding proposed for appropriation for state operations is within the SCC's baseline support budget amount. This request is consistent with and reflects the shift in staff resources needed to administer the SCC's Proposition 1 grant programs and to manage and monitor the projects funded with these grants that will be initiated and implemented in the coming years. No new staff or related costs are being requested.

Chapter 6 of Proposition 1 (Protecting Rivers, Lakes, Streams, Coastal Waters, and Watersheds) expressly allocates \$100,500,000 to the SCC in Section 79731(j) for "...competitive grants for multi-benefit ecosystem and watershed protection and restoration projects ...," The SCC is requesting an appropriation from this allocation. The requested funds would be spent by the SCC on a broad range of projects on the coast and in the San Francisco Bay Area within its programmatic authority, and consistent with goals of Proposition 1. Funds would generally be expended pursuant to Chapters 4.5, 5.5, 6, and 8 of Division 21 of the Public Resources Code.

E. Outcomes and Accountability

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Outcomes

The amounts proposed in of the Governor's Budget for 2016 will be adjusted to reflect the additional amounts requested in this Finance Letter. This adjustment will result in the following FY 2016/17 proposed appropriations to the SCC from Proposition 1:

State Operations:	\$ 2,893,000
Local Assistance:	\$30,000,000

The funds proposed for appropriation would be expended pursuant to the purposes of Proposition 1 and consistent with the SCC's enabling legislation (Division 21 of the Public Resources Code), the SCC's 2013 Strategic Plan and 2015 Strategic Plan Update and several state policies and plans, including: the California Environmental Goals and Policy Report, the California Water Action Plan, and the Safeguarding California Plan. The SCC implements recommendations and objectives in many of these statewide plans by supporting specific on-the-ground projects that achieve the larger state objectives.

The SCC will seek to prioritize multi-benefit projects for Proposition 1 grants, consistent with the language of the bond. Most state agencies have a statewide jurisdiction, but a relatively focused mission. The SCC has a more focused jurisdiction (about 33% of the state and 75% of its population) but a broad mission, including agricultural conservation, recreation, ecological conservation and climate change adaptation. This structure positions the SCC well to implement multi-benefit projects.

Any project consistent with the purposes of Chapter 6 of Proposition 1 and located within the SCC's jurisdiction is eligible for SCC Proposition 1 grant funding. In evaluating projects for Proposition 1 funding, the SCC will consider how well each project achieves the purposes of Chapter 6 of Proposition 1, as well as implements the SCC's Strategic Plan, the California Water Action Plan, and the Safeguarding California Plan.

In addition, the SCC has identified four priorities for Proposition 1 expenditures based on the priority issues within our jurisdiction, reviewing existing state plans, and screening for projects that achieve multiple benefits, serve disadvantaged communities, and result in quantifiable outcomes.

- Water Sustainability
- Protect and Enhance Anadromous Fish Habitat
- Wetland Restoration
- Urban Greening

The SCC will seek to align its funding and project priorities with those of other state agencies administering Proposition 1 funding for related objectives. The California Department of Fish and Wildlife will administer Proposition 1 grants for coastal wetland and watershed restoration, the Wildlife Conservation Board will administer grants to secure in-stream flows, and the Department of Water Resources will administer grants related to water sustainability. The SCC and its partners may apply for some of these other Proposition 1 grants to complete project priorities. Along with supporting project implementation, the SCC will continue to support project planning, working with grantees to develop shovel-ready projects that can compete for grant funding from the SCC and other state and federal agencies.

Accountability

The SCC has developed "Metrics of Success" and incorporated these into the goals and objectives of its 2013 Strategic Plan through a Strategic Plan Update adopted on June 25, 2015. These metrics incorporate the Chapter 6 purposes discussed above as well as other applicable statutory provisions of Proposition 1. The metrics will be used by the SCC to evaluate and rank project proposals as well as to measure the success of completed projects.

The SCC will report the status of projects and uses of the Proposition 1 funding on the state's bond accountability Internet Web site. This requirement is consistent with the SCC's existing practices and procedures.

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In addition to the overall goals identified in the SCC's 2013 Strategic Plan and the 2015 Update, SCC staff also prepared specific numeric performance objectives to be met over the five-year period of 2013 – 2018 to assure the achievement of the identified goals. The specific goals and objectives, which apply to the programs and activities described in this funding proposal, would be used by SCC staff to measure project outcomes.

Consistent with Section 79706 of the bond act, the SCC developed and adopted project solicitation and evaluation guidelines and criteria that will be applied to all proposals considered for grant awards using the requested appropriation.

In addition to the project metrics and project guidelines specific to the purposes of Proposition 1, which will be used to evaluate any projects completed using Proposition 1 funds, the SCC has a range of procedures and practices in place that assure project accountability.

All funds disbursed through grants and contracts are actively managed by SCC staff to assure compliance with a work plan and budget as well as all conditions placed on the grant or contract. SCC grant funds are disbursed in reimbursement for completed work and 10% of each payment is withheld by the SCC and released upon satisfactory completion of the project. Prior to approving the final grant payment, SCC staff conducts a project completion audit. This process includes review and approval of the final work product, a site visit and inspection where appropriate, and a review of the contract and project files to assure that all required documentation is in place.

For projects involving construction, including environmental restoration and enhancement, the grantee must provide the SCC with an inspection report by a licensed architect or registered engineer or the grantee's Public Works Director certifying completion of the project according to the approved work program, and with "as built" drawings or photographs of the completed project. The grantee must also agree to manage and maintain the improvements consistent with the purposes of the awarded grant funds for an appropriate period of time, generally not less than twenty years.

The SCC has implemented a set of post-project monitoring protocols by which it tracks all of its grants and projects to assure continued compliance with grant conditions and proper maintenance of the assets acquired or developed with the grant or contract funds.

The SCC also maintains a project management database through which it tracks the progress of ongoing projects and grants and the results of post-completion monitoring. The contribution of each grant and project to the achievement of strategic plan goals and objectives is also tracked through the project management database. The SCC's Executive Director submits reports to the SCC annually which document the SCC's progress towards the achievement of the strategic plan goals and objectives.

In addition to these accountability measures maintained within the SCC, the SCC will also report all expenditures of Proposition 1 bond funds on a grant and contract basis to the Agency Bonds Consolidated Reporting System (ABCRS). This statewide database, maintained by the California Natural Resources Agency (CNRA), collects detailed expenditure data from all state agencies that are the recipients of funds from natural resources bonds. As it already does for grants and contracts funded with other bonds, including Propositions 84 and 1E, the SCC will provide information on all expenditures of Proposition 1 funds made through grants, contracts, and purchase orders to the CNRA on a monthly basis including project name and description, project objectives, amount of bond funds encumbered, date of approval, projected or actual completion date, name of grantee, and the name of the SCC staff member managing the grant or project.

F. Analysis of All Feasible Alternatives

Alternative 1: Provide the additional funding at requested level of \$12,393,000 from Proposition 1 to the SCC in Fiscal Year 2016/17 consistent with the programs described in this proposal. This alternative would enable the SCC to respond to the demand for project funds and initiate new projects

Analysis of Problem

as well as enable the continued progress of several of the SCC's major ongoing efforts to protect and restore coastal and bay wetlands, watersheds and water resources, and assure timely completion. This alternative would also provide funding necessary to carry out the programs and projects described in this request and would provide significant resources for the implementation of its strategic planning goals and objectives. Proposition 1 has allocated funds specifically to the SCC for the project purposes described above.

Alternative 2: Provide less funding from Proposition 1. Providing less funding would mean a reduced ability to fund new projects and implement the purposes of Proposition 1, as well as, the SCC's strategic goals and objectives. Progress on several important resource protection efforts could be slowed or even halted and completion set back significantly resulting in loss of opportunities. The SCC's ability to fund new resource protection initiatives would be limited. The funding source would be the same.

Alternative 3: Do not appropriate these funds and use alternative funding sources, such as the General Fund to accomplish the project objectives outlined in this BCP. The amount available for appropriation from the General Fund fluctuates from year to year and its use for the purposes described in this proposal would reduce the amounts available to achieve other state priorities. Proposition 1 was approved by the California voters in November, 2014 in order to achieve the water resource protection purposes specified in the bond act and the SCC is requesting appropriation of funds that are specifically allocated to it in the bond act language to help achieve these purposes. No alternative funding sources are as appropriate to the programmatic purposes discussed in this proposal as is the funding available through Proposition 1.

G. Implementation Plan

Proposals from the fourth Proposition 1 proposal solicitation are due to the SCC on June 30, 2016. Evaluation of the proposals received will take approximately two months with the first projects being submitted to the SCC for approval in the fall of 2016. Project implementation will commence within one to two months of the projects' approval by the SCC. The timing of project completion is highly variable, depending on the size and type of project funded, but it is anticipated that all projects initiated with the funds proposed for appropriation in this request will be completed within five years of the Fiscal Year 2016/17 appropriation.

H. Supplemental Information

PROPOSED REVISION TO BUDGET BILL LANGUAGE

3760-001-6083-For support of State Coastal Conservancy,
Payable from the Water Quality, Supply, and Infrastructure
Improvement Fund of 2014 ~~2,393,000~~ 2,893,000

3760-101-6083-For local assistance, State Coastal
Conservancy, payable from the Water Quality, Supply,
and Infrastructure Improvement Fund of 2014 ~~18,107,000~~ 30,000,000

Schedule:

(1) 2805032-Conservancy Programs.....~~18,107,000~~ 31,000,000

(2) Reimbursements to 2805032-Conservancy
Programs -1,000,000

Provisions:

1. The funds appropriated in this item are available
for encumbrance for local assistance or capital
outlay until June 30, 2019.

I. Recommendation

The SCC recommends Alternative 1: approval of this Spring Finance Letter. The requested appropriation would be from funds specifically allocated to the SCC by the bond act pursuant to Water Code Section 79731(j) for purposes of protecting rivers, lakes, streams, coastal waters and watersheds. Funds appropriated as local assistance are requested to be available for encumbrance for either capital outlay or local assistance until June 30, 2019 and for expenditure until June 30, 2021.

As discussed in the Analysis of All Feasible Alternatives section above, this recommendation is made in order to assure that the SCC will continue to make progress on achieving strategic plan goals for natural resources conservation and the San Francisco Bay Area Conservancy program and to achieve the objectives of the Proposition 1. The proposal is made taking into account the SCC's current project workload, status of ongoing SCC projects and programs, and outstanding statewide needs for SCC funds.

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MAR 28 2016

Natural Resources Agency California

BCP Fiscal Detail Sheet

BCP Title: Proposition 1

DP Name: 3760-300-BCP-DP-2016-A1

Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Salaries and Wages						
Earnings - Permanent	0	500	0	0	0	0
Total Salaries and Wages	\$0	\$500	\$0	\$0	\$0	\$0
Total Personal Services	\$0	\$500	\$0	\$0	\$0	\$0
Operating Expenses and Equipment						
54XX - Special Items of Expense	0	11,893	0	0	0	0
Total Operating Expenses and Equipment	\$0	\$11,893	\$0	\$0	\$0	\$0
Total Budget Request	\$0	\$12,393	\$0	\$0	\$0	\$0

Fund Summary

Fund Source - State Operations						
Water Quality, Supply, and						
6083 - Infrastructure Improvement Fund of 2014	0	500	0	0	0	0
Total State Operations Expenditures	\$0	\$500	\$0	\$0	\$0	\$0
Fund Source - Local Assistance						
Water Quality, Supply, and						
6083 - Infrastructure Improvement Fund of 2014	0	11,893	0	0	0	0
Total Local Assistance Expenditures	\$0	\$11,893	\$0	\$0	\$0	\$0
Total All Funds	\$0	\$12,393	\$0	\$0	\$0	\$0

Program Summary

Program Funding						
2790 - Coastal Conservancy Programs	0	12,393	0	0	0	0
Total All Programs	\$0	\$12,393	\$0	\$0	\$0	\$0

Personal Services Details

Salaries and Wages

Total Salaries and Wages

Total Personal Services

CY	BY	BY+1	BY+2	BY+3	BY+4
\$0	\$500	\$0	\$0	\$0	\$0
\$0	\$500	\$0	\$0	\$0	\$0